

# Exhibit B

# TO OUR SHAREHOLDERS

Our relentless focus on our growth priorities is helping Mohawk fulfill its fundamental purpose: Grow Profitability and Increase Shareholder Return.



**Jeffrey S. Lorberbaum**  
Chairman and  
Chief Executive Officer

After five consecutive years of record earnings, 2018 proved more difficult than we anticipated, with inflation increasing dramatically, luxury vinyl tile (LVT) impacting other U.S. flooring products and most of our markets slowing. In this environment, we selectively invested \$1.5 billion to enhance our long-term performance, primarily in new product categories and geographies through greenfield projects and acquisitions, cost-saving initiatives and buying back shares. Our industry has faced periods with volatile costs and shifts in consumer preferences before, and we have always navigated through them to emerge stronger with a more competitive position.

In 2018, inflation in the U.S. was driven primarily by dramatically increasing material costs, escalating transportation and energy costs and constrained chemical supply. The tight U.S. labor market increased employee turnover, which impacted both our efficiencies and training costs. Our ability to offset these pressures was hindered by continuous inflation, more competitive imports due to a stronger dollar and end-user substitution of LVT for other alternatives.

In the U.S., LVT is taking share from other flooring and will become a significantly larger part of our portfolio. Our LVT manufacturing and import strategies are progressing, and we believe our margins will improve in the future. In the U.S. and Europe, we are adding more talent to our new LVT operations to increase our production, efficiency and differentiation in 2019.

Across most regions, growth slowed through the year due to softening economies, slowing home sales, higher mortgage rates and political uncertainty. The largest flooring channel is residential remodeling, which is expected to strengthen as home sales slow.

We are managing through these conditions, while enhancing the long-term growth and profitability of our business. To accomplish this, we continued our strategy of acquiring leading businesses in new markets and implementing major greenfield projects to establish new product categories in the U.S., Europe and Russia.

## GLOBAL ACQUISITIONS

In July, we finalized our acquisition of Godfrey Hirst, which positioned us as the largest flooring supplier in Australia and New Zealand. With the Australian housing market slowing, we are investing to expand Godfrey Hirst's commercial carpet position and leveraging Mohawk's resources to enhance product and material strategies. We anticipate bringing greater value to the market with more innovative products and a comprehensive offering of hard surface products distributed under our brands. We also are growing Godfrey Hirst's U.S. sales by positioning the brand's New Zealand wool collections as part of Mohawk's luxury carpet range.

In November, we extended our position as the world's largest ceramic tile provider by finalizing the purchase of Eliane in Brazil. Eliane is an industry leader, with the best brand and a premium position

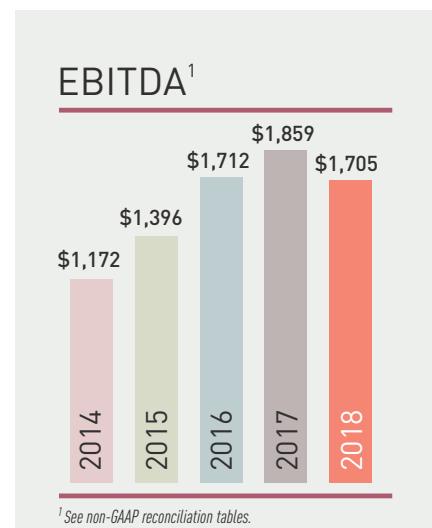
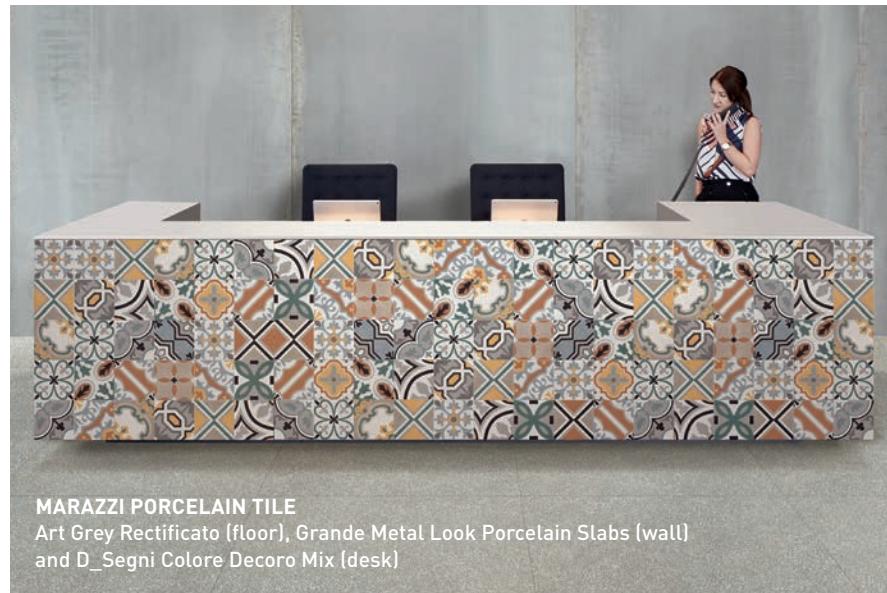
in one of the world's largest ceramic markets. The Brazilian market is strengthening, and both our sales and margins are expanding. We have ordered the first phase of new equipment to enhance Eliane's operations and margins following the strategy we used to dramatically improve Marazzi's profitability. We are formulating strategies to optimize sales in Central and South America from our operations in Brazil and Mexico.

In Europe, we extended our direct distribution strategy by acquiring hard surface distributors in Italy, Switzerland and the Netherlands, which will broaden our customer base and improve our service in these countries. We also acquired Berghoef, the largest mezzanine flooring provider in Europe, and expanded the business by leveraging our existing manufacturing resources and sales organization.

## STRATEGIC EXPANSIONS

While these acquisitions provide us with substantial growth and profit opportunities, we will also benefit from multiple internal investments in new products and markets that expand the scope of our business.

In the U.S., our new state-of-the-art quartz countertop plant is manufacturing basic products as we ramp up production and optimize our processes and formulations. Our existing ceramic tile sales channels and countertop distribution will bolster our presence in the market. For years, we have been one of the largest U.S. distributors of stone slabs and quartz countertops, and now we are complementing those offerings with our own U.S.-manufactured quartz as well as porcelain slabs imported from our Italian operations. With this product extension, we now manufacture options for all kitchen and bath surfaces, creating a coordinated offering for residential and commercial spaces.



Earlier in 2018, we began to supply the European market with carpet tile from our new plant in Belgium. The products showcase sophisticated styling for commercial applications along with exceptional performance features that distinguish them in the marketplace. As in Australia, we are utilizing the design and technical expertise of our U.S. carpet team to deliver style and innovation and ensure the efficient operation of our industry-leading facility. To grow our carpet tile business, we have built an experienced European sales team that will also represent our other commercial hard surface collections,

providing the architect and design community a single source for superior flooring.

As planned, our new sheet vinyl plant in Russia commenced operations in December and is producing goods to satisfy commitments to major customers. Sheet vinyl is one of the most widely used flooring categories in Russia; and, as we refine the plant's processes and costs, we will expand our customer base and introduce innovative collections. We have prepped the Russian market by delivering products from our European plants with superior

visuals, fielding an experienced sales force and leveraging relationships from our Russian businesses.

## SELECTIVE INVESTMENTS

These three projects, along with our new U.S. and European rigid and flexible LVT lines, will increase production throughout 2019 as we work to align output and cost. As we progress through the year, we believe these investments will position us to improve our sales and margins. We will better realize the potential of these projects in 2020 and beyond as volume and efficiencies increase. When we launched all these initiatives, we realized that they would create some pressure on our short-term results because of start-up costs and market uncertainties. In the long-term, these investments will make us much stronger, more profitable and more competitive in our major markets. The start-up costs that we have incurred during the past years remain part of our 2019 outlook, although at a reduced level, and will be largely behind us when we reach 2020.

While these greenfield projects represent major product and geographic expansions, we are also completing other significant initiatives to increase our product innovation, grow our sales and

reduce our costs. We are increasing the specialization of our ceramic plants in Italy, Spain, Poland and Bulgaria to improve our competitive advantages. For example, we are moving production of our outdoor ceramic tile production to Poland, where we have added new lines dedicated to this category. We have increased the production and size capabilities at our Bulgarian plant to enhance our sales in lower price points across Europe. In Italy, we are gaining traction with our large porcelain slabs, which are used for floors, walls and countertops. Our ceramic tile expansion in Mexico is now maturing and delivering cost savings as well as manufacturing more advanced products at higher average selling prices and better margins. In Russia, we are extending our market-leading ceramic position with premium sanitary ware, as well as launching production of porcelain slabs. We also have added capacity in the U.S., Europe and Russia to meet growing demand for our premium waterproof laminate that has reinvigorated the category and extended its applications into kitchens, baths and laundry rooms.

To lower our costs, we have invested in backward integration initiatives across the enterprise. In the U.S., we shuttered aging extrusion assets and replaced them with new equipment that operates with significantly

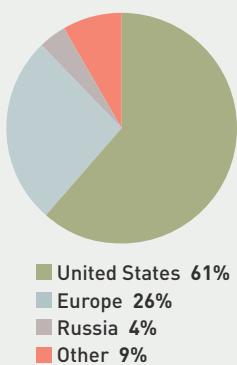
greater efficiency. We have added trucks and trailers to our North American fleet, allowing us to better serve our customers and control transportation costs. In Belgium, we are improving our cost position for board manufacturing by doubling our production of adhesives, and, in Tennessee, we began operating a new power generating facility to reduce our energy costs at our new quartz plant.

## LOOKING FORWARD

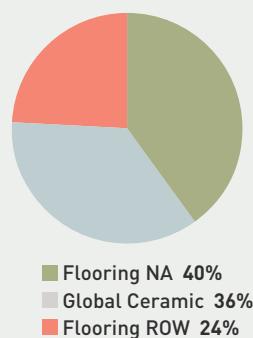
Since going public in 1992, we have ensured that our allocation of capital delivers proper returns for investors. Historically, we have accomplished this through selective acquisitions and internal investments. In 2018, we took advantage of stock prices that we believe undervalued our business and purchased about \$274 million of Mohawk stock, reducing our share count by 2.3 million or the equivalent of 3 percent of all outstanding shares. We continue to operate with a strong balance sheet, extensive liquidity and historically low debt leverage. We remain open to strategic acquisitions and can take advantage of opportunities when they present themselves.

As we enter 2019, many macroeconomic conditions around the world could impact our results. Economies have been slowing in most of our

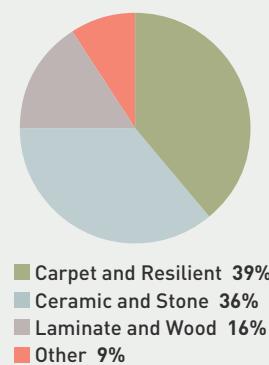
### SALES BY REGION



### SALES BY SEGMENT

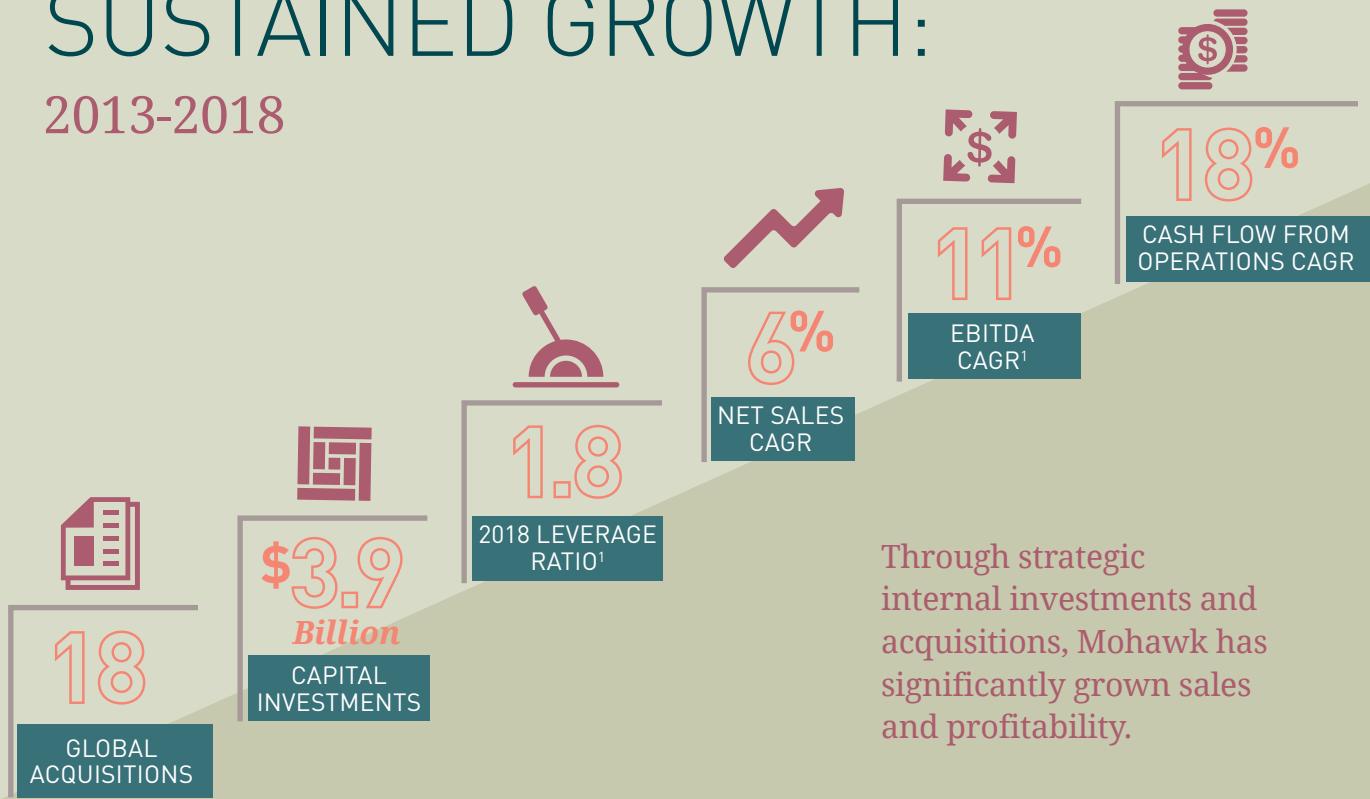


### SALES BY PRODUCT



# SUSTAINED GROWTH:

## 2013-2018



<sup>1</sup> See non-GAAP reconciliation tables.

markets, oil volatility is making our costs unpredictable, and the housing markets in many regions are under pressure. Although our outlook is cautious because of these issues, we expect our results to improve as we progress through the year.

During 2018, we announced two changes within our senior leadership team. After 25 years with Mohawk, Frank Boykin, our CFO, will retire and continue to provide consulting services to benefit the business. We are pleased to welcome Glenn Landau as our new CFO, to lead our strong financial team and maintain the high standards that Frank established during his time with us. Also, Paul De Cock was appointed President of our Flooring North America segment in 2018. Paul has

two decades of experience in the industry and joined Mohawk in 2005 with the Unilin acquisition. Paul previously led the flooring business for our Flooring Rest of World segment and, earlier in his Mohawk career, he led our U.S. hard surface business. He has changed the management structure to improve our marketing, operations and innovation for each flooring category.

Our 2018 results fell below the standards we have established for ourselves. While many factors were beyond our control, we are taking the appropriate steps to manage through market uncertainties, and we are confident our investments and acquisitions will significantly enhance our long-term business. Today, our business has leading

positions in all of our markets with substantial resources, a broader product portfolio and a more diverse geographic footprint.

To our shareholders, customers and employees, we appreciate your dedication and continued support, which equip the Company to maximize opportunities in challenging conditions and to realize the potential of those opportunities in the rewarding times to follow.

Jeffrey S. Lorberbaum  
Chairman and Chief Executive Officer